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C O N F I D E N T I A L ABU DHABI 002067

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STATE PASS USTR FOR DBELL

E.O. 12958: DECL: 05/09/2015

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SUBJECT: UAE OPENS TELECOM SECTOR FOR COMPETITION

REF: DUBAI 1520

Classified By: (U) Ambassador Michele J. Sison for reasons 1.4 (b) and (d).

¶1. (U) The UAE Telecommunications Regulatory Authority (TRA) announced this week it has approved the establishment of a new telecommunications company that will compete with Etisalat, which up until now was the sole telecommunications entity in the UAE. According to a May 7 Gulf News report, TRA granted a \$1.1 billion license to an unspecified telecom provider. Hasan Al Kilany, senior legal counselor for TRA, told Econoff on May 10 that 40 percent of the company will be government owned, through the General Pensions and Social Security Authority. He said that the remaining 60 percent will be divided between public shareholders and private entities, and the company may hold a public offering on the UAE stock market for some of the shares.

¶2. (U) Dr. Mohamed Khalfan Bin Khirbush, Minister of State for Financial and Industrial Affairs, was quoted in the Gulf News article as saying that, "The UAE Government's objective in forming this company is to offer another option for telcom users and customers, as the company is licensed to provide all telecom services...The initiative constitutes the first step in the liberalization of the sector." Officials within the UAEG had previously indicated their intention to deregulate the telecommunications sector, making this announcement a widely anticipated move.

¶3. (SBU) As reported reftel, Dubai IT managers and Dubai government officials had told us they expected that the second UAE-wide licensed telecommunications company would be TECOM. TECOM, the parent company of Dubai Internet City and Media City, has its own telecom operations inside of Dubai's free zones, which are exempt from the Etisalat monopoly. Talking to PolEconoff on May 9, Farid Faraidooni, Deputy General Manager of TECOM, said that the TRA press release had taken him by surprise. According to Faraidooni, the new telecommunications company referred to by TRA was not TECOM, but apparently a new company to be based in Abu Dhabi. Faraidooni was unsure about this new company, but felt that TRA would be coming out with some "clarifications" over the next week or two.

¶4. (C) Dubai Silicon Oasis director Dr. Eesa Al-Bastaki, asked whether he thought TECOM would be the second company, told CG Dubai May 8 that he doubted it very seriously, as TECOM was "not yet ready to play a national role." When the CG pointed out that TECOM would almost certainly be more ready than a hypothetical, unspecified company that had not even been formed yet, Al-Bastaki agreed, but intimated wryly that perhaps that was the point (i.e. that announcing, and then later forming, a brand new company could be seen as a way of postponing real competition in the telecom sector.)

SISON